

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application of Rocky Mountain Power for  
 Authority to Increase its Retail Electric Utility Service Rates in  
 Utah and for Approval of its Proposed Electric Service Schedules  
 and Electric Service Regulations, Consisting of a General Rate  
 Increase of Approximately \$161.2 Million per Year, and for  
 Approval of a New Large Load Surcharge

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Docket No 07-035-93

RATE OF RETURN SURREBUTTAL TESTIMONY OF

ROGER J BALL

12 MAY 2008

1 Q Are you the same Roger J Ball who filed Test Year Direct Testimony in this Docket on 25  
 2 January 2008?

3 A Yes. On 7 February I appeared and testified during the Test Year hearing, when it was  
 4 admitted into evidence as Exhibit RJB 1.0, together with a statement of my academic and  
 5 professional qualifications and professional experience as Exhibit RJB 1.1 and my 4  
 6 February Test Year Rebuttal Testimony as Exhibit RJB 2.0. On 13 February I filed Test  
 7 Year Closing Argument, on 31 March my Rate of Return Direct Testimony as Exhibit RJB  
 8 3.0, on 7 April my Revenue Requirement Direct Testimony as Exhibit RJB 4.0 and, most  
 9 recently, on 28 April my Rate of Return Rebuttal Testimony as Exhibit RJB 5.0.

10 Q What is the purpose of your Rate of Return Testimony?

11 A To comply with the requirement in the Commission's 27 December 2007 Scheduling  
12 Order in this proceeding that non-Company parties file surrebuttal testimony regarding  
13 rate of return by 12 May 2008, and to respond to the rate of return rebuttal testimony of  
14 PacifiCorp and the other parties to this proceeding.

15 Q Have you read the rebuttal testimony filed by Rocky Mountain Power (RMP, or PacifiCorp,  
16 or Company, or utility) and the Utah Division of Public utilities on 28 April 2008 in this  
17 Docket?

18 A Yes. No-one offered any rebuttal of my 31 March Rate of Return Direct Testimony, which  
19 is therefore uncontroverted.

20 No other party has addressed in testimony the willingness of PacifiCorp and its owners, in  
21 the 8 years since rate of return was last litigated before the Commission, to "consistently  
22 under-(earn) the authorized ROE established by the Commission",<sup>1</sup> and to repeatedly  
23 petition the Commission for approval of stipulations that would result in revenue increases  
24 of about half its requests, increases that the Company knew would inevitably result in  
25 continued under-earning that I described in my Rate of Return Direct Testimony.

26 Nor has any other party addressed in testimony the fact that virtually the entire amount of  
27 the increase in revenue requirement that PacifiCorp seeks in this General Rate Case is  
28 attributable to the Company's use of the fully-projected calendar 2008 test year selected  
29 by the Commission. While the Legislature has effectively barred the Commission from

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<sup>1</sup> *Application*, 17 December 2007, in Docket 07-035-93 *In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules & Electric Service Regulations, Consisting of a General Rate Increase of Approximately \$161.2 Million per Year, and for approval of a New Large Load Surcharge* (hereinafter *Application*): paragraph 10, first sentence; and paragraph 11, second sentence.

30 using an historical test period, as it has done previously, and instead mandated the use of  
31 a future one in 2003's Senate Bill 61 modifying UCA §54-4-4(3), it has left it open to the  
32 Commission in balancing the interests of ratepayers with those of stockholders to offset  
33 the gain to the latter from use of a future test period in order to ensure that rates will be  
34 just and reasonable also for the former.

35 Q Do you wish to alter your recommendations to the Commission regarding its  
36 determination of a rate of return for Questar in this proceeding?

37 A No. In order to treat ratepayers equitably, the Commission should take account of the  
38 willingness of its sole stockholder, Mid-American Energy Holdings, and of MEHC's parent,  
39 Berkshire-Hathaway, first to buy and subsequently to inject additional capital into an  
40 under-earning utility. Plainly, the arguments advanced by mainstream rate-of-return  
41 analysts simply don't apply here. The Commission should look to the returns PacifiCorp  
42 has been earning, rather than to those of any proxy group, in determining what rate to  
43 authorise going forward.

44 The Commission should also reduce the notional rate of return it would otherwise  
45 determine based upon other parties' testimony and the foregoing by no less than  
46 \$27,583,763, the value of the test year adopted in this Docket, which Senate bill 61 did  
47 not mandate that ratepayers must bear.

48 That concludes my pre-filed written rebuttal rate of return testimony, thank you.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Rate of Return Surrebuttal Testimony of Roger J Ball in Docket 07-035-93 was served upon the following by electronic mail on 12 May 2008:

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